

Minutes

RTA Operational Planning & Infrastructure Committee

10:47 a.m. November 12, 2019

Committee: Lucas (Vice Chair), Byrne, Joyce, Moss, Serrano

Other Board members: Bibb, Clough, McCall

Not present: Welo

Also Present: Astolfi, Benford, Beveridge, Birdsong, Brooks-Williams, Burney, Castelucci, Caver, Cranford, Dangelo, Davidson, Davis, Draper, Ferraro, Fields, Garofoli, Gautam, Gibbons, Jaszczak, Keshtkaran, Kirkland, Lewis, Loh, Pinkney-Butts, Rusnov, Schipper, Schnear, Sims, Stocking, Sutula, Tarka, Togher, Vukmanic, Wiehe, Williams, Wilson, Winn, Woodford, Young, Zeller

Rev. Lucas called the meeting to order at 10:47 a.m. The secretary called the roll and reported that five (5) committee members were present.

FY 2020 Appropriation and change to 2019 Budget

Kay Sutula, Director of the Office of Management & Budget, made the presentation. Today's presentation will include the budget schedule, 2019 budget execution, 2020 Budget development & Assumptions, proposed change to the 2019 General Fund Budget, 2020 Service Plan and Public Hearing. There will be another committee meeting and public hearing Dec. 3. Dec. 17 the Board will be asked to adopt the 2020 General Fund budget and the amendment to the 2019 General Fund budget.

The Authority's three largest sources of revenue is sales & use tax (74.6%), passenger fares (15.2%) and reimbursed expenditures (7.8%). The 2019 budget has total revenues estimated at \$280.8 MI. The 3rd quarter projected revenues total \$283.1 MI. And sales tax receipts are projected at \$211.2 MI. Passenger fares are projected at \$43.2 MI. Ridership has fallen about 4% from 2018 not including the summer months where the Red Line was shut down for the track reconstruction and the S-curve reconstruction. For reimbursed expenditures, they are maintaining preventative maintenance at \$20 MI. Looking at the sales tax graph, June 2016 sales tax was high due to the Cavs championship. Sales and Use tax receipts through October are 3.7% higher than 2018 and 1.3% higher than budget. Passenger fares have been lower than 2018 receipts through September, about 7.4%. This includes the decrease in ridership during the summer. An agreement with CMSD was recently approved. The payment is usually received in Aug. or Sept. However it was just received today. The three largest categories in the Operating budget are salaries and overtime at 48%, payroll taxes and fringe benefits at 18.2% and services, materials and supplies at 5.8%. This includes service contracts, parts and materials that are not a part of inventory items and smaller service items.

The 2019 operating expenditures are budgeted at \$254.5 MI. The 3rd quarter estimate is \$243.9 MI. This is in line with 2018 actuals. The Price Risk Management Program, including the fuel hedging program has worked well for the Authority and has helped maintain fuel prices and utility cost. With a beginning balance of \$39 MI and total projected revenues of \$283.1 MI, projected resources are \$322.1 MI. Total operating expenditures are projected at \$243.9 MI. Transfers to other funds provide funding for specific set asides for the insurance fund, pension fund, bond retirement fund, capital improvement fund and reserve fund. They propose to increase the transfer to the reserve fund by \$5 MI for the rail car replacement, bringing the total transfer for rail cars for \$11 MI for 2019 and total

transfer to the reserve fund for 2019 to \$13 MI. The resolution for this increase will be presented in December.

For the assumptions for the 2020 development, the inflation rates and interest rates are in line with the Federal Reserve Bank's estimates and coincides with estimates from Standards & Poors. They will maintain preventative maintenance reimbursement at \$20 MI and \$11.76 MI for the Ohio Transit Partnership Program (OTP2). This grant was awarded by Ohio of which \$6 MI will be used for preventive maintenance. This will free up formula funds to be used for the light rail track rehabilitation. The 2020 General fund budget has a 2% increase in sales and use tax based on current trends through October 2019, a 4% decrease in passenger fare revenue based on receipts through September 2019 and preventative maintenance reimbursement maintaining at \$20 MI. Total revenue is estimated at \$283.7 MI and a beginning estimated balance of \$37.1 MI. Total resources are budgeted at \$320.8 MI.

The 2020 budget estimates operating expenditures at \$262.2 MI, \$143.7 MI for salaries and overtime and \$53.4 MI for payroll taxes and fringes, which includes healthcare, prescription, vision, dental, union allowances for clothing and tools and life insurance. \$9.4 MI is budgeted for fuel, which includes diesel, CNG, propulsion power, propane and gasoline, which continue to be hedged to keep expenses steady. Other expenditures at \$55.7 MI includes inventory, service contracts, other utilities such as electricity, water, sewer and telephone and purchase transportation for ADA paratransit services. Transfers to other funds are budgeted at \$29.9 MI. which includes transfers to the insurance fund, pension fund, capital improvement fund and reserve fund. A transfer from the reserve fund of \$1.5 MI is budgeted for the 27th pay. Total expenditures for 2020 are budgeted at \$295.8 MI.

Positions have remained constant over the past several years. No service reductions or position changes are budgeted in 2020. A 2.5% wage increase is budgeted across the board. A 27th pay is budgeted for salaried employees, which occurs every 12 years. The next 27th pay for hourly employees will occur in 2025. With an estimate beginning balance of \$37.1 MI, 2020 is beginning strong. The total proposed General fund expenditures of \$295.8 MI against total resources of \$320.8 MI leaves a budgeted ending balance of \$25 MI for 2020. They are planning to execute the budget well and will continue to make every effort to end the year below budget.

Current revenues do not cover current expenses. In 2018, RTA received funding from the State to mitigate the loss of receipts in the sales and use tax from the loss of MCOs. Without this additional funding, expenditures would have exceeded revenues. Currently they are using the funds available balance to sustain current expenditures. In the reserve fund for rail car replacement, at the end of 2019, there will be a rolling balance of \$28.9 MI. This includes the \$5 MI they planned to transferred in December. For 2020-2022, \$5 MI is budgeted to be transferred for the railcar replacement each year. The LTK railcar study estimated that heavy rail vehicle replacement would cost \$102 MI. of which the minimum local match needed would be \$20.4 MI. The total cost for the replacement of all vehicles and the additional upgrades needed for the facility and other improvements is \$240 MI. That minimum local match needed is \$48 MI. They have successfully put the Authority in a position for the rail car replacement.

In December, they will bring a resolution to amend the 2019 budget. This will increase the budget appropriation of \$5 MI to increase the transfer to the reserve fund for the railcar replacement. The original 2019 budget had no funding for the rail car replacement. In March 2019, the Board amended the budget with the increase in sales and use tax and a transfer of \$6 MI to the reserve fund for the railcars. In December, they will amend the budget again to increase this transfer for an additional \$5 MI for a total of \$11 MI transfer in 2019.

2020 Service Management Plan

Joel Freilich, Director of Service Quality, made the presentation. The service management plan is a companion to the budget because the service levels and budget need to be aligned. The projected 2019 ending balance is sufficiently large to enable the current service levels to be maintained through the year 2020. In the longer term, staff must be prepared for various scenarios and outcomes that could happen beyond 2020 such as reductions in total resources and therefore service levels or new funding to maintain or increase service levels.

The system redesign study is very important. While any net service expansion would have to wait for increased funding, there will be some things that can be accomplished in 2020. Staff will development one or more cost neutral packages of service suggestions from the study. Staff will bring these packages to the Board and public. They will look to the Board for direction on service priorities and before making any specific changes, they will apply the Board adopted public involvement policy before implementing any significant service changes. During the coming year, there will be routine changes. They anticipate adjusting service frequency to correspond closely with ridership levels. They also adjust scheduled running time to enhance service reliability. They are in need to adjust service to respond to road and bridge construction projects. They add bus service as needed to cover rail shutdowns and to cover special events. They analyze the bus routes by category and they categorize the buses in four categories (radial, cross-town, Park-N-Ride and downtown trolleys). Within each category they rank the routes by productivity by the number of riders per vehicle hour, which act as the proxy for benefit cost ratio and the hourly cost.

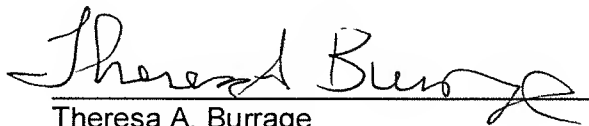
In conclusion, they will stay the course of the budget with some adjustments during the year. By policy they will identify the lowest quartile of every category in terms of the lowest quartile productivity. They do not envision that should lead to eliminating those routes. With the current service levels and reductions over the years, further reduction would be hard on customers.

11:10 a.m. - The meeting was suspended to conduct the Public Hearing.

Rev. Lucas adjourned the meeting at 11:21 a.m.



Floun'say R. Caver, Ph.D.
Interim Secretary/Treasurer



Theresa A. Burrage
Executive Secretary